



27 Feb 2015

RESTAURANT GROUP (RTN): 729p

Full year results, 52w to 28 Dec 14

Group says 'TRG has delivered another strong set of results...'

Year to end-Dec	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	72.7	28.0	26.0	14.0	1.9
2014 (A)	78.1	30.0	24.3	15.4	2.1
2015 (E)	87.9	33.7	21.6	17.4	2.4

Source: Company & Broker Estimates

Full year results - to 28 Dec 2014:

The Restaurant Group has this morning reported full year numbers to 28 December and our comments are set out below:

- Group says total turnover for the 52weeks was up 10.0% at £635m and LfL sales increased by 2.8%.
- EBITDA was up by 8.5% at £117m, operating profits rose by 7% to £80.5m and PBT was +7.4% at £78.1m. EPS is +7% at 30p and the full year dividend per share is 15.4p with recent sales trends shown below:

Tab.1. Restaurant Group Recent LfL Sales' Trends:

Period	LfL (%)
H1 – 2010	-0.50
FY – 2010	-1.00
H1 – 2011	+3.00
FY – 2011	+3.25
H1 – 2012	+3.25
FY – 2012	+4.50
H1 – 2013	+5.00
FY - 2013	+3.50
First 8w 2014	+3.50
First 19w 2014	+4.00
H1 - 2014	+2.50
FY - 2014	+2.80
Xmas fortnight	+5.00
First 8wks 2015	+2.50

Source: Company Reports

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Market Cap: £1.45bn
12m range 555p – 736p

- Christmas was clearly good at +5.0%. 2014 as a whole delivered +2.8% LfL sales growth and LfL sales for the first 8wks of the current year are +2.5%
- RTN opened 40 new sites during the year and believes that it will open 42-50 in FY15
- Chairman Alan Jackson says 'during the year the Group passed a number of key milestones'. He cites turnover exceeding £600m and the total number of restaurants in our portfolio hitting more than 470.
- The group says 'the new financial year has started well with total sales growth of 9.5% and like-for-like sales growth of 2.5% for the first eight weeks of the year.'
- It adds 'we have an outstanding business' and Mr Jackson adds 'I am confident that TRG is well placed to continue making further profitable progress in 2015 and over the coming years.'
- CEO Danny Breithaupt reports 'TRG has delivered another strong set of results in 2014 with growth in turnover, profits and cash flow.'
- He says 'looking forward, with our strong portfolio of brands and offerings, a great team of people and an improving UK economy, I am confident that TRG will continue to grow and prosper in 2015 and over the coming years'.

Langton Comment: Restaurant Group has reported what is clearly a good Christmas but it also suggested when it updated on the festive period that the rest of December may have been slow.

With that in mind, the Jan & Feb trading numbers is OK. It is not knockout but accords with comments being made by other operators.

RTN is upping its opening programme at a time when many other, arguably more nimble, casual dining operators are doing the same thing and, at some point, overcapacity may become an issue.

The group has pointed out that the economic fundamentals are good but, as we have mentioned on a number of occasions over recent weeks, the consumer remains reluctant to spend.

The group has performed well but, with EPS of around 33.7p forecast for the current year, its shares trade on a somewhat demanding 21.6x prospective earnings and they are not cheap. We prefer some of the group's asset-backed competitors such as Marston's, Greene King and Mitchells & Butlers but accept that RTN has a legion of supporters. However, we would still be minded to lock in some profits at these share price levels.

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